

September 24, 2001

TO: Dottie Kingsley

FROM: Howard W. Bell, Jr.

RE: Advisory Committee on Student Financial Assistance Report Summary

This Report examines a number of trends in financial assistance and concludes, see Table 1, that little progress has been made in narrowing the gap in the college participation rates of low-income students versus their middle- and upper-income peers during the past three decades.

Table 1¹

College Participation Rates for Unmarried 18 to 24 Year Old High School Graduates by Family Income Quartile			
As a Function of a Student's Annual Family Income		1970	1997
	Highest Quartile – Above \$74,584	79 %	88 %
	Lowest Quartile – Below \$25,063	48 %	53 %

The Report also concludes, see Table 2, that there has been a significant increase in the percentage of merit based State grant funds to the detriment of need based State grant funds. More specifically, since “1993, funding for merit programs has increased 336 percent in real dollars” while “funding for need-based financial aid programs has increased only 88 percent”.² In addition, “numerous states have announced budget cuts, which, in some cases imply double-digit tuition increases, and potentially, cuts in need based programs.”³ The assumption that need based programs may be cut rests on the fact that merit based aid programs are politically popular and may therefore be protected from cuts, forcing cuts in the need-based programs.

Table 2⁴

Percentage of Total State Grant Funds That Are Merit –Based	
Year	Percentage
1982	9.60 %
1989	11.10 %
1994	12.80 %
1995	14.40 %
1996	15.20 %
1997	16.80 %
1998	18.60 %

¹ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, numbers taken from Figure 2 on page 5 of the Report.

² “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, page 8.

³ Idem.

⁴ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, numbers taken from Figure 8 on page 8 of the Report.

The decline in need based State grant funds has occurred during a time when the buying power of the Pell Grant program has shrunk and the maximum Pell Grant award as a percentage of the institutional cost of attendance has declined sharply – see Tables 3 and 4.

Table 3 identifies the increases in the Pell Grant program required to keep up with the effects of inflation during the past 25 years.

Table 3⁵

Buying Power of the Pell Grant	
Current Pell Grant Maximum	\$3,300
To reach 1975-76 Buying power at a 4-Year Public college	\$7,066
To reach 1975-76 Buying power at a 4-Year Private college	\$8,564

Table 4 shows how the Pell maximum award has fallen dramatically as a percentage of the cost of attendance – from 84 percent of public four-year costs in 1975-76 to 39 percent in 1999-2000.

Table 4⁶

Pell Grant Maximum Award as a Percentage of Institutional Cost of Attendance		
Year	Institution Type	
	Public 4-year	Private 4-year
1975-76	84 %	38 %
1985-86	57 %	26 %
1995-96	34 %	13 %
1999-00	39 %	15 %
2000-01	39 %	15 %

The net result of the above trends, during the past three decades, is that increasing numbers of low-income students face a reduction in their opportunity to pursue a bachelor's degree due to

Table 5⁷

Percentage of Postsecondary Students Receiving a Bachelor's Degree or Higher in 1996		
As a Function of a Student's Annual Family Income		
	Highest Quartile – Above \$74,584	41.1 %
	Middle Quartiles – \$25,064 - \$74,583	18.7 %
	Lowest Quartile – Below \$25,063	6.1 %

⁵ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, numbers taken from Figure 17 on page 20 of the Report.

⁶ Ibid., numbers taken from Figure 7 on page 8 of the Report.

⁷ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, numbers taken from Figure 3 on page 5 of the Report.

record levels of unmet need.⁸ This disparity in opportunity is visible in Table 5, which shows a 35 percentage point difference between students receiving bachelor's degrees or higher in 1996 in the lowest and the highest family income quartiles. The Report also states that attempts to alter low-income student behavior by experimenting with award structure should be avoided in favor of full funding, stability, and predictability of the Pell grant program.

In addition, both black and Hispanic students are disproportionately represented among low-income students and therefore “earn bachelor's degrees at a substantially lower rate than white students” as shown in Table 6.⁹

Table 6¹⁰

Percentage of Postsecondary Students Receiving a Bachelor's Degree or Higher in 1996		
As a Function of a Student's Race/Ethnicity		
	White, non-Hispanic	27.3 %
	Hispanic	17.8 %
	Black, non Hispanic	16.9 %

In looking towards the future, the Report states that the “Challenges that today's low-income students face in gaining access to college will be fundamentally altered by current demographic forces. Rivaling the size of the Baby Boom generation, the projected national growth in the traditional college-age population between 2000 and 2015 exceeds 16 percent and in absolute terms approaches five million youth with 1.6 million enrolling in college.”¹¹ Table 7 contains the enrollment numbers and shows the significant shift in the demographic mix of this group of students.

Table 7¹²

Figure 4: Projected National Growth in the Traditional College-Age Population, 2001 to 2015			
	Increase	% Increase	% of Total
Hispanic	2,076,667	56.4%	48.8%
Asian/Pacific Islander	689,554	63.8%	16.2%
Black	679,496	18.1%	16.0%
Native American	35,233	14.8%	0.8%
White	776,161	4.4%	18.2%

The Report states that earning “a bachelor's degree raises median annual income by 75 percent over a high school graduate – from \$33,373 to \$64,474.”¹³ In fact, the first section of the Report

⁸ Cover letter from the Advisory Committee on Student Financial Assistance report, submitted by Dr. Juliet V. Garcia, Chairperson, February 20, 2001, page 1.

⁹ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, page 4.

¹⁰ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, numbers extracted from Figure 3 on page 5 of the Report.

¹¹ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, numbers taken from Figure 4 on page 6 of the Report.

¹² “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, page 4.

states “that if the 32-percentage point gap in the college-going rates of the highest and lowest income Americans were narrowed significantly, we would add nearly \$250 billion to the gross domestic product and \$80 billion in taxes.”¹⁴ Due to the gap in low-income college graduates, the United States issued 100,000 H-1B visas last year to highly educated foreign nationals in order to meet the demand for workers” in the economy’s service sector.¹⁵ In the future, the level of education required is likely to increase.”¹⁶

Given the above facts, the Report predicts that declining “access to a bachelor’s degree combined with powerful demographic forces already at work portend a deterioration in educational opportunity, as well as a loss in potential economic productivity and growth for the nation.”¹⁷

The Report concludes by urging the Administration and Congress to adopt four key policy priorities:¹⁸

- Reinstate the goal of providing all Americans the opportunity to earn a bachelor’s degree through full-time attendance.
- Increase need based grant aid to authorized levels by establishing a long-term budget plan to reduce the unacceptably high level of unmet need and its debilitating effects on the postsecondary decision making of low-income students.
- Strengthen and expand the other Title IV programs steadily to respond to the rapidly growing demand for funds and services.
- Rebuild and revitalize federal, state, and institutional partnerships in support of access and need-based student aid.

Finally, the Committee intends to devote the next year to attempting to create a strong consensus on the worsening condition of access to postsecondary educational institutions.¹⁹

¹³ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, page 4.

¹⁴ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, page 2.

¹⁵ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, page 3.

¹⁶ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, page 3.

¹⁷ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, page vi.

¹⁸ “Access Denied”, A Report of the Advisory Committee on Student financial Assistance, Washington, D.C., February 2001, page 23 and 24.

¹⁹ “Access Denied”, A Report of the Advisory Committee on Student Financial Assistance, Washington, D.C., February 2001, page vii.